



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES
DIRECTOR

September 17, 2007

TO: Rebecca A. Humphries, Director, Department of Natural Resources

INFORMATION: Natural Resources Commission

Transaction: Proposed November 2, 2007, Oil and Gas Lease Auction

Authority: Part 5, Department of Natural Resources, Section 502, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended.

Auction Method: Oral Auction

Acres Offered: Approximately 65,000 acres

Counties Offered: Alcona, Allegan, Antrim, Bay, Benzie, Clare, Gladwin, Grand Traverse, Hillsdale, Kalkaska, Lapeer, Livingston, Manistee, Mecosta, Midland, Missaukee, Montcalm, Montmorency, Newaygo, Oakland, Oceana, Ogemaw, Osceola, Oscoda, Presque Isle, Roscommon, Saint Clair and Sanilac.

Lease Terms: Five year term with two, one-year options to extend, 1/6 royalty rate, initial \$13.00 per acre minimum bonus consideration and \$2.00 per acre annual rental for the primary term.

Special Restrictions: Certain parcels proposed to be offered for lease may contain restrictions limiting surface activities where environmental concerns exist. All oil and gas development activities proposed on State-owned surface require separate surface use agreements. Additionally, for any parcels that were acquired through tax reversion, the successful bidder will be required to demonstrate via an Attorney's Title Opinion that the State owns the oil and gas rights. If an acceptable Attorney's Title Opinion is not provided by May 1, 2008, a lease will not be issued and the Department of Natural Resources will refund the bonus and rental paid.

Notice: Potentially affected private surface owners have been notified of the proposed auction. Township Supervisors, County Commissioners and other interested parties will receive notification when the auction catalog is available online. Notice of the proposed auction also appeared in the county newspapers representing the areas where the lands are located. This item will appear on the Department's October 1, 2007 calendar and will be eligible for approval on October 11, 2007.

Recommendation: That the mineral rights in all the lands being considered, be offered for inclusion in the proposed auction under the terms and conditions specified.

Lynne Boyd, Chief
Forest, Mineral and Fire Management

Doug Reeves, Acting Chief
Wildlife

Kelley D. Smith, Chief
Fisheries

Arminda S. Koch
Resource Management Deputy

I approve the staff recommendation

Rebecca A. Humphries
Director

Approval Date

NATURAL RESOURCES COMMISSION
Keith J. Charters, Chair • Mary Brown • Hurley J. Coleman, Jr. • Darnell Earley • John Madigan • J. R. Richardson • Frank Wheatlake
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